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#### Report Categories:

Agriculture in the News

#### Approved By:

David Leishman

#### Prepared By:

A. Govindan, Santosh Singh, Amit Aradhey

#### Report Highlights:

\*Agriculture growth rate drops to 1.6 percent\*, \*Government lifts ban on wheat exports...\*, \*...Bangladesh traders want wheat price cut\*, \*FDI in multi-brand retail outlets needed\*, \*Bio-diesel sector waits for clarity on benefits from duty cut\*, \*Warning Bell: Economic recovery could slow down if rains do not pickup by next week\*, \*Food Security Act soon to be enacted\*, \*Sowing continues to lag behind schedule\*.

#### General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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## **AGRICULTURE GROWTH RATE DROPS TO 1.6 PERCENT**

The Government's Economic Survey has painted a rather bleak picture of the agriculture sector with a drop in growth rate during 2008-09 to just about 1.6 percent. The agriculture sector had recorded an average growth rate of about 4.9 percent over the previous three years (2005-6 to 2007-08), lending credible support to the overall GDP growth. The agriculture sector, which accounted for 21.7 percent of the GDP in 2003-04, accounted for only 17.8 percent in 2007-08. The Survey maintained that as expansion of agricultural land was limited, the way out was multiple cropping, while a long-term output growth was possible only by yield improvement. (Source: The Hindu, 07/03/09)

*Post Comment:* The GOI's Economic Survey 2008-09 can be accessed from:

<http://indiabudget.nic.in/es2008-09/esmain.htm>

## **GOVERNMENT LIFTS BAN ON WHEAT EXPORTS ...**

On July 3, the Government of India lifted a 28-month ban on wheat exports by allowing exports of 900,000 tons by government-owned trading companies up to March 31, 2010. Exports of 650,000 tons of wheat products were also permitted. The three state trading agencies permitted to export wheat are MMTC, STC, and PEC, with a quota of 300,000 tons for each. No subsidy would be provided for such exports. Trade officials, however, said wheat availability in the international market was adequate and export may not be feasible without a subsidy. (Source: Business Standard, 07/04/09)

*Post Comment:* The official notifications can be accessed from

<http://164.100.9.245/exim/2000/not/not08/not11508.htm> and

<http://164.100.9.245/exim/2000/not/not08/not11608.htm>.

## **... BANGLADESH TRADERS WANT WHEAT PRICE CUT**

Bangladesh's wheat importers asked India to cut wheat prices, allowing them to buy more of the grain from their neighbor's bulging stockpiles. "The price of wheat in India is much higher than international rates," said a Bangladesh food importer. Indian wheat is priced at \$265 per ton compared with \$190 to \$200 per ton in Ukraine, \$215 to \$220 in Russia, and \$230 per ton in Kazakhstan. (Source: Business Line, 07/08/09)

## **FDI IN MULTI-BRAND RETAIL OUTLETS NEEDED**

The recently released Economic Survey for 2008-09 favored opening foreign direct investment

(FDI) in the multi brand retail outlets, albeit in the phased manner. The survey indicated support for allowing FDI in food retailing to test water. Initially this could be subject to setting up modern logistic system, perhaps with other organized retailers. An industry expert stated that the government understands the need for good food supply chain management and allowing FDI in food retailing will be the first step that would improve the fortunes of Indian farmers. (Source: Business Standard, 07/03/09)

### **BIO-DIESEL SECTOR WAITS FOR CLARITY ON BENEFITS FROM DUTY CUT**

The government announced reduction of custom duty on bio-diesel from 7.5 percent to 2.5 percent, and fully exempt high speed diesel (HSD) blended with up to 20 percent biodiesel in the recent budget. The bio-diesel industry sources have welcomed the move but have expressed concerns that the government's attempt to support biodiesel use may not bear fruit in the absence of a clear road map for implementation. The industry sources have sought clarity from the government on the tax incidence on the biodiesel blended HSD and the procedure to be followed. In 2006, the government announced the biodiesel purchase policy in which oil companies would purchase biodiesel at fixed prices and blend it with HSD at a 5 percent blend ratio in 20 procurement centers across the countries. The commercial production and marketing of biodiesel in India has been negligible due to lack of availability of non-edible oil feed stocks. Some section of the industry believes reduction in import duty will support imports of biodiesel, but domestic biodiesel producers do not agree. (Source: Business Standard, 07/09/09)

### **WARNING BELL: ECONOMIC RECOVERY COULD SLOW DOWN IF RAINS DO NOT PICKUP BY NEXT WEEK**

As the possibility of poor monsoon looms large, especially over north India, there is a fear of the resulting rural slowdown pulling down India's growth rate to less than the 7 percent projected in 2009/10 (April/March). Rural India accounts for a large part of the demand for variety of consumer goods like vehicles, electrical & electronic goods, FMCG goods, etc. Any slowdown in rural India will affect industrial production and retard the incipient recovery in the economy. It would also fuel inflation and may upset the government's plans of rolling out the guaranteed food grain supply program for poor families under the proposed Food Security Act. (Source: The Hindustan Times, 07/09/09)

### **FOOD SECURITY ACT SOON TO BE ENACTED**

While reading out the budget, the finance minister said that the National Food Security Act which seeks to provide 25 kg of rice or wheat per month to the poor at Rs 3 per kg will soon be enacted. A draft bill will soon be put on the official website of the department of food and

public distribution for public debate and consultations. The draft bill proposes making 'freedom from hunger and malnutrition' a Fundamental Right. "It will provide for and assert the physical, economical and social rights of all citizens to have access to safe and nutritious food, consistent with an adequate diet necessary to lead an active and healthy life with dignity". The proposal assumes significance as there are already a number of schemes that help provide subsidized food to the poor. (Source: Financial Chronicle, 07/07/09)

### **SOWING CONTINUES TO LAG BEHIND SCHEDULE**

Sowing process for kharif continues to lag behind due to delay in monsoon rains with problem further compounding due to poor electricity supply. Transplantation of paddy has been completed only in 3.8 million hectares so far, 1.3 million hectares less than the area covered in 2008-09 when the figure stood at 5.1 million hectares- a shortfall of almost 25 percent. Paddy cultivation was hit even in states of Punjab and Haryana where the shortfall was 817,000 hectares. Coarse cereals were sown in 2.6 million hectares (pearl millet at 656,000 hectares, sorghum at 362,000 hectares, maize is sown in 1.4 million hectares) as compared to 5.6 million hectares sown last year. The deficit in oilseed coverage is almost 45 percent with coverage being limited to 3.5 million hectares in comparison to 6.8 million hectares last year. Peanut coverage stands at 849,000 hectares almost 60 percent lower than the 2.06 million hectares. Equally discomfoting is the Central Water Commission's report stating that the combined live storage in 81 reservoirs has come down by 2 percent to stand at 9 percent. (Source: Hindu, 07/08/09)

### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

REPORT #	SUBJECT	DATE SUBMITTED
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IN9092	Grain & Feed: GOI Permits Wheat and Wheat Products	07/08/09
IN9093	Agricultural Situation: Budget 2009	07/08/09

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